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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67388; File No. SR-NASDAQ-2012-83)

July 10, 2012

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Customer Rebates in Penny Pilot Options

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4² thereunder, notice is hereby given that, on June 29, 2012, The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

NASDAQ proposes to modify Chapter XV, entitled “Option Pricing,” at Section 2 governing pricing for NASDAQ members using the NASDAQ Options Market (“NOM”), NASDAQ’s facility for executing and routing standardized equity and index options. Specifically, NOM proposes to amend a Penny Pilot³ Option Customer Rebate to Add Liquidity. The Exchange also proposes a minor technical amendment.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Penny Pilot was established in March 2008 and in October 2009 was expanded and extended through June 30, 2012. See Securities Exchange Act Release Nos. 57579 (March 28, 2008), 73 FR 18587 (April 4, 2008)(SR-NASDAQ-2008-026)(notice of filing and immediate effectiveness establishing Penny Pilot); 60874 (October 23, 2009), 74 FR 56682 (November 2, 2009)(SR-NASDAQ-2009-091)(notice of filing and immediate effectiveness expanding and extending Penny Pilot); 60965 (November 9, 2009), 74 FR 59292 (November 17, 2009)(SR-NASDAQ-2009-097)(notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 61455 (February 1, 2010), 75

While the changes proposed herein are effective upon filing, the Exchange has designated these changes to be operative on July 2, 2012.

The text of the proposed rule change is available on the Exchange's Website at <http://nasdaq.cchwallstreet.com>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

NASDAQ proposes to modify Chapter XV, entitled "Option Pricing," at Section 2(1) governing the rebates and fees assessed for option orders entered into NOM. Specifically, the Exchange is proposing to modify the five tier structure for paying Customer Rebates to Add Liquidity in Penny Pilot Options. The Exchange proposes to amend the qualifications for a Tier 4 Customer Rebate to Add Liquidity to further incentivize NOM Participants to route Customer

FR 6239 (February 8, 2010)(SR-NASDAQ-2010-013)(notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 62029 (May 4, 2010), 75 FR 25895 (May 10, 2010) (SR-NASDAQ-2010-053)(notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 65969 (December 15, 2011), 76 FR 79268 (December 21, 2011) (SR-NASDAQ-2011-169) (notice of filing and immediate effectiveness extending and replacing Penny Pilot); SR-NADAQ-2012-075 (not published) (notice of filing and immediate effectiveness extending and replacing Penny Pilot). See also Exchange Rule Chapter VI, Section 5.

orders in Penny Pilot Options to the Exchange by providing NOM Participants another means of achieving a certain volume criteria to qualify for a rebate. The Exchange believes that incentivizing NOM Participants to send additional Customer orders in Penny Pilot Options to the Exchange will benefit all market participants by adding liquidity to the market.

Specifically, the Exchange currently pays a Customer Rebate to Add Liquidity in Penny Pilot Options based on the following tier structure:

	Monthly Volume	Rebate to Add Liquidity
Tier 1	Participant adds Customer liquidity of up to 14,999 contracts per day in a month	\$0.26
Tier 2	Participant adds Customer liquidity of 15,000 to 49,999 contracts per day in a month	\$0.38
Tier 3	Participant adds Customer liquidity of 50,000 to 74,999 contracts per day in a month	\$0.43
Tier 4	Participant adds Customer liquidity of 75,000 or more contracts per day in a month	\$0.44
Tier 5	Participant adds (1) Customer liquidity of 25,000 or more contracts per day in a month, (2) the Participant has certified for the Investor Support Program set forth in Rule 7014; and (3) the Participant executed at least one order on NASDAQ's equity market	\$0.42

Currently, Tier 4 firms that add Customer liquidity of 75,000 or more contracts per day in a month of Customer order liquidity in Penny Pilot Options receive a rebate of \$0.44 per contract. The Exchange proposes to amend the Tier 4 Customer rebate by also paying the \$0.44 per contract Customer Rebate to Add Liquidity in Penny Pilot Options when a Participant has a total volume of 100,000 or more contracts per day in a month. Therefore, in order to qualify for the Tier 4 Customer Rebate to Add Liquidity in Penny Pilot Options, a Participant that add Customer liquidity of 75,000 or more contracts per day in a month or a has total volume of

100,000 or more contracts per day in a month would receive a rebate of \$0.44 per contract.⁴ For purposes of Tier 4, “Total Volume” shall be defined as Customer, Professional, Firm, NOM Market Maker⁵ and Non-NOM Market Maker volume in Penny Pilot Options which either adds or removes liquidity. The Exchange is also proposing to add this definition of Total Volume in Chapter XV, Section 2(1).

The Exchange also proposes a minor technical amendment to redesignate note “a” currently referencing Tier 5 with “b” and insert a new note “a” related to Tier 4.

2. Statutory Basis

NASDAQ believes that the proposed rule changes are consistent with the provisions of Section 6 of the Act,⁶ in general, and with Section 6(b)(4) of the Act,⁷ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which NASDAQ operates or controls.

The Exchange believes that the proposed amended pricing tier is reasonable, equitable and not unfairly discriminatory because it is part of an existing program⁸ to encourage broker-dealers acting as agent for Customer orders to select the Exchange as a venue to post Customer

⁴ The Exchange is not proposing to amend the \$0.44 per contact rebate or any other Customer rebate tier.

⁵ A NOM Participant must be registered as such pursuant to Chapter VII, Section 2 of the NOM Rules, and must also remain in good standing pursuant to Chapter VII, Section 4.

⁶ 15 U.S.C. 78f.

⁷ 15 U.S.C. 78f(b)(4).

⁸ The Exchange adopted these monthly volume achievement tiers in September 2011. See Securities Exchange Act Release Nos. 65317 (September 12, 2011), 76 FR 57778 (September 16, 2011) (SR-NASDAQ-2011-124), 65317 (September 12, 2011), 76 FR 61129 (October 3, 2011) (SR-NASDAQ-2011-127), 66126 (January 10, 2012), 77 FR 2335 (January 17, 2012) (SR-NASDAQ-2012-003), 66360 (February 8, 2012), 77 FR 8312 (February 14, 2012) (SR-NASDAQ-2012-022) and 66768 (April 6, 2012), 77 FR 22015 (April 12, 2012) (SR-NASDAQ-2012-048).

orders. The Exchange believes that its success at attracting Customer order flow benefits all market participants by improving the quality of order interaction and executions at the Exchange. The Exchange believes the existing monthly volume thresholds have incentivized firms that route Customer orders to the Exchange to increase Customer order flow to the Exchange. The Exchange desires to continue to encourage firms that route Customer orders to increase Customer order flow to the Exchange by providing an additional opportunity to qualify for a Customer Rebate and earn a rebate.

The Exchange believes that amending Tier 4 to provide that NOM Participants that have total volume of 100,000 or more contracts per day in a month may also qualify for the Tier 4 rebate of \$0.44 per contract in addition to those NOM Participants that add Customer liquidity of 75,000 or more contracts in Penny Pilot Options in a month is reasonable because it allows additional NOM Participants to qualify for the Customer rebate. Total Volume includes a Customer, Professional, Firm, NOM Market Maker and Non-NOM Market Maker Penny Pilot Option that either added or removed liquidity. The Exchange believes that this added incentive would allow additional NOM Participants to qualify and receive the Customer rebate.

The Exchange believes that amending Tier 4 to provide that NOM Participants who have total volume of 100,000 or more contracts per day in a month may also qualify for the Tier 4 rebate of \$0.44 per contract in addition to those NOM Participants that add Customer liquidity of 75,000 or more contracts in Penny Pilot Options in a month is equitable and not unfairly discriminatory because all NOM Participants that transact Customer orders in Penny Options are eligible for the Customer rebates.⁹

⁹ Tier 1 pays a rebate for NOM Participants that add Customer liquidity of up to 14,999 contracts per day in a month of Penny Options. There is no required minimum volume of Customer orders to qualify for a Customer Rebate to Add Liquidity.

The Exchange believes that the calculation of Total Volume for purposes of qualifying for amended Tier 4 is reasonable because the Exchange is providing NOM Participants with an added opportunity to receive a Tier 4 Customer rebate by adding volume from all market participants, not only Customer volume. The Exchange believes this amendment will allow a greater number of NOM Participants to qualify for the Tier 4 rebate.

The Exchange believes that the calculation of Total Volume for purposes of qualifying for amended Tier 4 is equitable and not unfairly discriminatory because all NOM Participants that transact Customer orders in Penny Pilot Options would be eligible to qualify for a rebate starting with the first executed contract that added Customer liquidity.¹⁰ The Exchange's proposal to renumber the notes to add a new note referencing Tier 4 is reasonable, equitable and not unfairly discriminatory because these amendments provide greater clarity and accuracy to the Rule text.

The Exchange operates in a highly competitive market comprised of ten U.S. options exchanges in which sophisticated and knowledgeable market participants can and do send order flow to competing exchanges if they deem fee levels at a particular exchange to be excessive or rebate opportunities to be inadequate. The Exchange believes that the proposed rebate scheme is competitive and similar to other fees, rebates and tier opportunities in place on other exchanges. The Exchange believes that this competitive marketplace materially impacts rebates present on the Exchange today and substantially influences the proposal set forth above.

B. Self-Regulatory Organization's Statement on Burden on Competition

NASDAQ does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as

¹⁰ See note 9.

amended. To the contrary, NASDAQ has designed its fees to compete effectively for the execution and routing of options contracts and to reduce the overall cost to investors of options trading. The Exchange believes that incentivizing NOM Participants to transact greater Customer volume on the Exchange benefits all market participants because of the increased liquidity to the market.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.¹¹ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
- or

¹¹ 15 U.S.C. 78s(b)(3)(A)(ii).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2012-83 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2012-83. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer

to File Number SR-NASDAQ-2012-83 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Kevin M. O'Neill
Deputy Secretary

[FR Doc. 2012-17273 Filed 07/16/2012 at 8:45 am; Publication Date: 07/17/2012]

¹² 17 CFR 200.30-3(a)(12).